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10/667,755	09/22/2003	Lee M. Amaitis	069547.0164	1374
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2001 ROSS AV	-	ARAQUE JR, GERARDO		
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			3689	
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			05/14/2008	ELECTRONIC

### Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Notice of the Office communication was sent electronically on above-indicated "Notification Date" to the following e-mail address(es):

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	Application No.	Applicant(s)			
	10/667,755	AMAITIS ET AL.			
Office Action Summary	Examiner	Art Unit			
	Gerardo Araque Jr.	3689			
The MAILING DATE of this communication app Period for Reply	ears on the cover sheet with the c	orrespondence address			
A SHORTENED STATUTORY PERIOD FOR REPLY WHICHEVER IS LONGER, FROM THE MAILING DA  - Extensions of time may be available under the provisions of 37 CFR 1.13 after SIX (6) MONTHS from the mailing date of this communication.  - If NO period for reply is specified above, the maximum statutory period v  - Failure to reply within the set or extended period for reply will, by statute, Any reply received by the Office later than three months after the mailing earned patent term adjustment. See 37 CFR 1.704(b).	ATE OF THIS COMMUNICATION 36(a). In no event, however, may a reply be tim vill apply and will expire SIX (6) MONTHS from a cause the application to become ABANDONE	lely filed the mailing date of this communication. (35 U.S.C. § 133).			
Status					
Responsive to communication(s) filed on 16 A <sub>I</sub> This action is <b>FINAL</b> . 2b) ☑ This      Since this application is in condition for allowar closed in accordance with the practice under E	action is non-final. nce except for formal matters, pro				
Disposition of Claims					
4) Claim(s) 1-23 is/are pending in the application.  4a) Of the above claim(s) is/are withdraw  5) Claim(s) is/are allowed.  6) Claim(s) 1-23 is/are rejected.  7) Claim(s) is/are objected to.  8) Claim(s) are subject to restriction and/or  Application Papers  9) The specification is objected to by the Examine  10) The drawing(s) filed on is/are: a) access applicant may not request that any objection to the or	wn from consideration. r election requirement. r. epted or b)□ objected to by the B				
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).					
11) The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.					
Priority under 35 U.S.C. § 119					
<ul> <li>12) Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).</li> <li>a) All b) Some color None of:</li> <li>1. Certified copies of the priority documents have been received.</li> <li>2. Certified copies of the priority documents have been received in Application No.</li> <li>3. Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).</li> <li>* See the attached detailed Office action for a list of the certified copies not received.</li> </ul>					
Attachment(s)  1) Notice of References Cited (PTO-892)  2) Notice of Draftsperson's Patent Drawing Review (PTO-948)  3) Information Disclosure Statement(s) (PTO/SB/08)  Paper No(s)/Mail Date 1/20/04; 1/20/04; 2/19/04; 5/26/05; 6/23/0	4)  Interview Summary Paper No(s)/Mail Da 5)  Notice of Informal P 05. 6) Other:	ite			



Application No.

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#### **DETAILED ACTION**

### Specification

1. The specification has not been checked to the extent necessary to determine the presence of all possible minor errors. Applicant's cooperation is requested in correcting any errors of which applicant may become aware in the specification.

### Claim Rejections - 35 USC § 101

2. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

3. Claims 1 – 14 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

The Court stated in *In re Comisky* (499 F.3d 1365) that "[a]Ithough it has been suggested that State Street Bank supports the patentability of business methods generally, <sup>8</sup> State Street Bank explicitly held that business methods are "subject to the same legal requirements for patentability as applied to any other process or method." Id. at 1375; see also MPEP §2106(I) (Rev. 4, Oct. 2005) ("MPEP") ("Claims should not be categorized as methods of doing business. Instead, such claims should be treated like any other process claims."). We must then consider the requirements of §101 in determining whether Comiskey's claims 1 and 32 for a method of mandatory arbitration for unilateral and contractual documents claim statutory subject matter." In its analysis, the Court in Comiskey held that:

Patentable subject matter under the 1952 Act is extremely broad. Given the breadth of the categories listed in §101, it is not surprising that the legislative

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history of the 1952 Act noted that "Congress intended statutory subject matter to include anything under the sun that is made by man." Chakrabarty, 447 U.S. at 309 (quoting S. Rep. No. 1979, 82d Cong., 2d Sess., 5 (1952); H.R. Rep. No. 1923, 82d Cong., 2d Sess., 6 (1952) (internal quotation marks omitted)). On the other hand, the Supreme Court has made clear that this statement does "not ... suggest that §101 has no limits or that it embraces every discovery." Id.

Specifically, Supreme Court decisions after the 1952 Patent Act have rejected a "purely literal reading" of the process provision and emphasized that not every "process" is patentable. Flook, 437 U.S. at 589. Instead "[t]he question is whether the method described and claimed is a 'process' within the meaning of the Patent Act." Gottschalk v. Benson, 409 U.S. 63, 64 [175 USPQ 673] (1972); see also Flook, 437 U.S. at 593 ("[R]espondent incorrectly assumes that if a process application implements a principle in some specific fashion, it automatically falls within the patentable subject matter of §101."). "Abstract ideas" are one type of subject matter that the Supreme Court has consistently held fall beyond the broad reaches of patentable subject matter under §101. As early as Le Roy v. Tatham, 55 U.S. 156 (1852), the Supreme Court explained that "[a] principle, in the abstract, is a fundamental truth; an original cause; a motive; these cannot be patented, as no one can claim in either of them an exclusive right." Id. at 175. Since then, the unpatentable nature of abstract ideas has repeatedly been confirmed. See, e.g., Diehr, 450 U.S. at 185; Chakrabarty, 447 U.S. at 309; Flook, 437 U.S. at 589; Benson, 409 U.S. at 67; Rubber-Tip

Pencil Co. v. Howard, 87 U.S. 498, 507 (1874). The very cases of this court that recognized the patentability of some business methods have reaffirmed that abstract ideas are not patentable. See AT&T, 172 F.3d at 1355; State Street Bank, 149 F.3d at 1373; see also In re Alappat, 33 F.3d 1526, 1542-43 [31 USPQ2d 1545] (Fed. Cir. 1994) (en banc).

The prohibition against the patenting of abstract ideas has two distinct (though related) aspects. First, when an abstract concept has no claimed practical application, it is not patentable. The Supreme Court has held that "[a]n idea of itself is not patentable." Rubber-Tip Pencil, 87 U.S. at 507. In Benson, the claim was for a method of converting binary-coded decimal numerals into pure binary numerals that was "not limited to any particular art or technology, to any particular apparatus or machinery, or to any particular end use." 409 U.S. at 64. Since the claim would therefore "wholly preempt the mathematical formula and in practical effect would be a patent on the algorithm itself," the claim was unpatentable because its "practical effect" was to "patent an idea" in the abstract. Id. at 71-72. 11 See also AT&T, 172 F.3d at 1358 (holding that a mathematical algorithm must produce "a useful, concrete, and tangible result" to be patentable); State Street Bank, 149 F.3d at 1373 (same); MPEP §2106 (Rev. 5, Aug. 2006) ("[C]laims define nonstatutory processes if they ... simply manipulate abstract ideas ... without some claimed practical application."). 11 In Benson, the Supreme Court reversed a decision by our predecessor court that had, in turn, relied on earlier decisions, such as Application of Musgrave, 431 F.2d 882, 893

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[167 USPQ 280] (CCPA 1970), suggesting that a process of human thinking in and of itself could be patentable.

Second, the abstract concept may have a practical application. The Supreme Court has reviewed process patents reciting algorithms or abstract concepts in claims directed to industrial processes. In that context, the Supreme Court has held that a claim reciting an algorithm or abstract idea can state statutory subject matter only if, as employed in the process, it is embodied in, operates on, transforms, or otherwise involves another class of statutory subject matter, i.e., a machine, manufacture, or composition of matter, 35 U.S.C. §101. As the PTO notes, "[t]he Supreme Court has recognized only two instances in which such a method may qualify as a section 101 process: when the process 'either [1] was tied to a particular apparatus or [2] operated to change materials to a 'different state or thing.'" See PTO Supp. Br. 4 (quoting Flook, 437 U.S. at 588 n.9). In Diehr, the Supreme Court confirmed that a process claim reciting an algorithm could state statutory subject matter if it: (1) is tied to a machine or (2) creates or involves a composition of matter or manufacture. 12 450 U.S. at 184. There, in the context of a process claim for curing rubber that recited an algorithm, the Court concluded that "[t]ransformation and reduction of an article 'to a different state or thing' is the clue to the patentability of a process claim that does not include particular machines." Id. (quoting Benson, 409 U.S. at 70); 13 see also In re Schrader, 22 F.3d 290, 295 [30 USPQ2d 1455] (Fed. Cir. 1994) (holding when a claim does not invoke a

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machine, "§101 requires some kind of transformation or reduction of subject matter"). Thus, a claim that involves both a mental process and one of the other categories of statutory subject matter (i.e., a machine, manufacture, or composition) may be patentable under §101. *See Diehr*, 450 U.S. at 184 (holding a process that involved calculations using the "Arrhenius equation" patentable because the claim "involve[d] the transformation of an article, in this case raw, uncured synthetic rubber, into a different state or thing"). For example, we have found processes involving mathematical algorithms used in computer technology patentable because they claimed practical applications and were tied to specific machines. <sup>14</sup>

However, mental processes—or processes of human thinking—standing alone are not patentable even if they have practical application. The Supreme Court has stated that "[p]henomena of nature, though just discovered, *mental processes*, and abstract intellectual concepts are not patentable, as they are the basic tools of scientific and technological work." *Benson*, 409 U.S. at 67 (emphasis added). In *Flook* the patentee argued that his claims did not seek to patent an abstract idea (an algorithm) because they were limited to a practical application of that idea—updating "alarm limits" for catalytic chemical conversion of hydrocarbons. 437 U.S. at 586, 589-90. The Court rejected the notion that mere recitation of a practical application of an abstract idea makes it patentable, concluding that "[a] competent draftsman could attach some form of post-solution activity to almost any mathematical formula." *Id.* at 590. Since all other features

of the process were well-known, including "the use of computers for 'automatic monitoring-alarming," the Court construed the application as "simply provid[ing] a new and presumably better method for calculating alarm limit values." *Id.* at 594-95. The Court held the application unpatentable because "if a claim [as a whole] is directed essentially to a method of calculating, using a mathematical formula, even if the solution is for a specific purpose, the claimed method is nonstatutory." 437 U.S. at 595 (quoting *In re Richman*, 563 F.2d 1026, 1030 [195 USPQ 340] (CCPA 1977).

Following the lead of the Supreme Court, this court and our predecessor court have refused to find processes patentable when they merely claimed a mental process standing alone and untied to another category of statutory subject matter even when a practical application was claimed.

It is thus clear that the present statute does not allow patents to be issued on particular business systems—such as a particular type of arbitration—that depend entirely on the use of mental processes. In other words, the patent statute does not allow patents on particular systems that depend for their operation on human intelligence alone, a field of endeavor that both the framers and Congress intended to be beyond the reach of patentable subject matter. Thus, it is established that the application of human

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intelligence to the solution of practical problems is not in and of itself patentable.

In regards to **claims 1 – 14**, the process of receiving a bet, receiving results of a bet, determining a payout associated with the bet, paying out the settlement payment, i.e. a mental process or idea, which is further based on conditions that a user may find suitable. Essentially, all of the disclosed claims are all processes that can be performed mentally and/or carried out with another individual.

## Claim Rejections - 35 USC § 112

- 4. The following is a quotation of the second paragraph of 35 U.S.C. 112:
  The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.
- 5. **Claims 1 23** are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.
- 6. In regards to **claims 1 23**, the Examiner in unsure of what is meant by "total number of units potentially earned." That is to say, how is a bet being placed on points that have already been earned? What is being potentially betted on if there is nothing to bet on? The Examiner suggests for the applicant to reword the phrase to "total number of units **that can be** potentially earned."
- 7. In regards to **claim 2 and 16**, the Examiner is unsure what type of betting is being placed. Is it a point spread, over/under, or spread betting? For the purposes of this examination the Examiner will assume that spread betting is being claimed.

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8. Claims 22 – 23 are rejected under 35 U.S.C. 112, second paragraph, as being incomplete for omitting essential steps, such omission amounting to a gap between the steps. See MPEP § 2172.01. The omitted steps are: paying out the settlement payment.

# Claim Rejections - 35 USC § 103

- 9. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:
  - (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.
- 10. Claims 1, 3 5, 9, 11 15, 20, and 22 23 are rejected under 35 U.S.C. 102(e) as being anticipated by Downes (US Patent 6,910,965 B2) in view of The New York

  Times

(http://query.nytimes.com/gst/fullpage.html?res=9F03E0D81139F93AA15752C0A9 659C8B63&partner=rssnyt&emc=rss &

http://query.nytimes.com/gst/fullpage.html?res=950DE7D81F31F936A15755C0A96 F948260).

11. In regards to **claims 1 and 15**, **Downes** discloses a method and system of managing bets, comprising:

receiving a first bet at a first quote, the first bet having an associated first unit stake, the first quote corresponding with the total number of units potentially earned by a participant in a plurality of events (Col. 2 Lines 45 – 47; Col. 4 Lines 49 – 50; Col. 7

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 8 Lines 50 – 18; wherein a bet includes a quote that is going to be placed on a participant);

receiving results of each of the plurality of events, the results comprising the positioning of the particular participant in each of the plurality of events (See at least Claim 1 Part E);

for each of the plurality of events, determining a number of units earned by the participant based at least in part on the positioning of the participant in the event (See at least Col. 18 Lines 16 - 37); and

determining an amount of a payout for the first bet based at least in part on the first unit stake, the first quote, and the total number of units earned by the participant in the plurality of events (Col. 6 Lines 43 – 46; Wherein part (a) of the claim Downes discloses that a bet is placed based on a quote, stake, and units earned by a participant. Since the payout is based on the bet it is obvious to one having ordinary skill in the art that the payout would also be based on the stake, quote, and units earned as well.).

**Downes** discloses all of the limitations above and further discloses that the method and system can be used for auto racing (Claim 12) and that pari-mutuel wagering is old and well known to be used for horse racing. However, **Downes** fails to explicitly disclose:

for each of the plurality of events, determining a number of units earned by the participant based at least in part on a purse distribution structure defining a distribution of a purse over a plurality of positions in the event.

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The New York Times, however, discloses that it is old and well known for auto racing and horse racing to have a purse distribution system. The purse distribution system is a system where a substantial amount of money (purse) is distributed among the participants of a sporting event, such as Nascar and the Super Derby, based on the placing of each participant in the event.

Therefore, it would have been obvious to one having ordinary skill in the art at the time of the invention in view of the teachings of **New York Times** for **Downes's** sports wagering system to have obviously included a purse distribution structure, which is based on the placing of a participant.

- 12. In regards to claim 3, the combination of Downes and New York Times discloses wherein the number of units earned by the participant comprises the amount of money earned by the participant over the course of the plurality of events (wherein Downes discloses that participant statistics are made available to the user and wherein New York Times discloses a purse distribution structure as discussed above; See at least Downes Col. 15 16).
- 13. In regards to **claim 4**, **Downes** discloses wherein the plurality of events comprises a plurality of horse races and the plurality of participants comprises a plurality of jockeys (**Col. 2 Lines 1 2**).
- 14. In regards to **claim 5**, **Downes** discloses wherein the plurality of events comprises a plurality of races and the plurality of participants comprises a plurality of drivers (**Claim 12**).

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15. In regards to **claim 9**, **Downes** discloses further comprising, after one or more of the plurality of events has occurred, receiving a second bet defined at least by a second unit stake and a second quote, the second quote corresponding with the total number of units potentially earned by the participant in the plurality of events excluding the one or more events that have occurred (wherein Downes discloses that several users are able to log onto the system and that the same user can also place several bets at a time and keep track of the user's betting history; See at least Col. 6 Lines 56 – 60).

16. In regards to **claims 11 and 22**, **Downes** discloses further comprising, after one or more of the plurality of events has occurred:

receiving a request to settle the first bet (see at least Col. 11 Lines 50 – 62); and

determining an amount of a settlement payment for the first bet based at least in part on the first unit stake, the first quote, and the second quote (Col. 6 Lines 43 – 46; Wherein Claim 1 part (a) of the claim Downes discloses that a bet is placed based on a quote, stake, and units earned by a participant. Since the payout is based on the bet it is obvious to one having ordinary skill in the art that the payout would also be based on the stake, quote, and units earned as well.);

paying out the settlement payment (see at least Col. 11 Lines 50 – 62); and canceling the first bet (obviously included once the bet has been settled and since the event relating to the bet is over it is only obvious for the bet to be canceled).

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17. In regards to **claims 12 and 23**, **Downes** discloses further comprising, after one or more of the plurality of events has occurred:

receiving a request to settle the first bet (see at least Col. 11 Lines 50 – 62);

determining an amount of a settlement payment for the first bet based at least in

part on the first unit stake, the first quote, and the positioning of the participant in each

of the one or more events that has occurred (Col. 6 Lines 43 – 46; Wherein Claim 1

part (a) of the claim Downes discloses that a bet is placed based on a quote,

stake, and units earned by a participant. Since the payout is based on the bet it is

obvious to one having ordinary skill in the art that the payout would also be

based on the stake, quote, and units earned as well.);

paying out the settlement payment; and canceling the first bet.

- 18. In regards to **claim 13**, **Downes** discloses wherein the plurality of events occur over an extended period of time (See at least Col. 14 Lines 13 36).
- 19. In regards to **claim 14**, **Downes** discloses wherein the plurality of events occur over a period of time greater than one week (See at least Col. 14 Lines 13 36).
- 20. Claims 2, 6, 7, 8, 10, 16 19, and 21 are rejected under 35 U.S.C. 102(e) as being anticipated by Downes (US Patent 6,910,965 B2) in view of The New York

  Times

(http://query.nytimes.com/gst/fullpage.html?res=9F03E0D81139F93AA15752C0A9 659C8B63&partner=rssnyt&emc=rss & http://query.nytimes.com/gst/fullpage.html?res=950DE7D81F31F936A15755C0A96 F948260) and in further view of Official Notice.

21. In regards to **claims 2**, **6**, **7**, **and 16** – **18**, **Downes** fails to explicitly disclose a specific type of betting system further comprising:

providing a spread quote comprising an upper index number and a lower index number, both the upper index number and the lower index number associated with the total number of units potentially earned by the participant in the plurality of events;

wherein the first quote comprises the upper index number and the first bet comprises a bet that the total number of units earned by the participant will be greater than the upper index number; and

receiving a second bet that the total number of units earned by the participant will be less than the lower index number.

However, **Official Notice** is taken that it is old and well known in the art of gambling that there are numerous types of betting methodologies, such as, but no limited to, point spread, over/under, spread betting, and etc. **Downes** discloses a method and system that allows a user to place bets on various types of sporting events and that the method and system allows for a variety of types of betting to take place. **Downes** further discloses that several users are able to log onto the system and that the same user can also place several bets at a time and keep track of the user's betting history. As a result, the Examiner asserts that it would have been well within the ability of one having ordinary skill to have incorporated spread betting into the system of

**Downes** since the combination is only uniting old elements with no change in their respective functions and which would yield predictable results.

Therefore, it would have been obvious to one having ordinary skill in the art at the time of the invention to modify **Downes** in view of **Official Notice** because this is a case where the improvements are no more than the predicable use of prior art elements according to their established functions.

22. In regards to **claims 8 and 19**, **Downes** discloses **Downes** discloses several types of payout methods, but fails to explicitly disclose a payout method comprising:

wherein determining the payout for the first bet comprises multiplying the unit stake by the difference between the first quote and the total number of units earned by the participant in the plurality of events.

However, **Official Notice** is taken that there are numerous types of payout methods, which are all dependent on the type of bet placed, such as money line bets, spread bets, over/under bets, and etc. As a result, the Examiner asserts that it would have been well within the ability of one having ordinary skill in the art to know how a payout should be made to a winner depending on the type of bet that was placed.

Therefore, it would have been obvious to one having ordinary skill in the art at the time of the invention to modify **Downes** in view of **Official Notice** because this is a case where the improvements are no more than the predicable use of prior art elements according to their established functions.

23. In regards to **claims 10 and 21**, **Downes** discloses wherein the second bets locks in a gain or loss associated with the first bet.

However, **Official Notice** is taken that in the art of gambling it is old and well known to place multiple bets/wagers and that it is also old and well known for a gambler to cash out to prevent possible future losses or to secure current gains. An example would be where a user is betting on a team to make it to the final four, but half way through the season the user's team has had considerable losses and would be unable to win overall. Another example would be if a user is in a casino and currently up by a considerable amount it is known for the user to cash out to secure current financial gains because the user feels they may lose on the next hand, but still continue playing after the hand has passed or move to a different table playing the same game.

Therefore, it would have been obvious to one having ordinary skill in the art at the time of the invention to modify **Downes** in view of **Official Notice** because this is a case where the improvements are no more than the predicable use of prior art elements according to their established functions.

#### Conclusion

24. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure can be found in the PTO-892 Notice of References Cited.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Gerardo Araque Jr. whose telephone number is (571)272-3747. The examiner can normally be reached on Monday - Friday 8:30AM - 4:00PM.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Janice Mooneyham can be reached on (571) 272-6805. The fax phone

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number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

/G. A./ Examiner, Art Unit 3689 5/9/08

/Janice A. Mooneyham/ Supervisory Patent Examiner, Art Unit 3689